The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Real Estate Tax Changes in the Works

By Rachel Nielsen

January 28, 2013



Significant increases in property taxes could soon hit landlords and owners of residential and commercial properties if a bill under consideration in the State Duma becomes law.

The bill, which passed the first reading, will use the government's updated assessments of building valuations, some of which haven't been redone for decades. The proposed taxes based on the new assessments could add more than $1 billion per year to state coffers, Vedomosti reported.

The Federal Tax Service calculated that revenue from property taxes will increase 185 percent, from about 24 billion rubles ($800 million) to 69.4 billion rubles ($2.3 billion). That figure doesn't include revenue from buildings that have yet to be assessed, which could ultimately make the state's tax haul even bigger.

According to a decree by President Vladimir Putin, officials must finalize new property tax rates by June. They would be applied next year.

The updated building valuations should play a major role in ramping up property tax revenue. The cadastral plan used as the basis for property taxes today contains assessments made during Soviet times, tax lawyers said.

The property tax invoice currently received by most Russians — the majority of whom own the apartment in which they live — is "peanuts," said Boris Bruk, a lawyer at Salans. The legislation could mean a bigger bill, though not necessarily a fair one.

For homeowners, the "most important issue" in the legislation is whether they "will be able to challenge the fair market value as determined by the government," Bruk said.

Such recourse is available for landowners who disagree with the land appraisal used as the basis of their tax assessment, and they can challenge the government in court. The proposed legislation addresses only taxes on buildings.

Families could be helped by proposed exemptions. For a person's own apartment in which he lives, he can claim a deduction of 20 square meters from the total area and use the reduced area as his tax basis. The deduction is 50 square meters for people on state aid.

It isn't clear how the exemption will work, however. If each apartment owner is permitted to take a deduction, husband-and-wife co-owners could enjoy a double deduction, while a single owner would pay higher taxes, Vedomosti reported Friday.

For those who own real estate that is used as a business — from landlords with one rental property to apartment building owners and major commercial sites — a larger property tax probably will translate into higher rents.

Landlords with one or several apartments especially will pass the extra costs on to tenants, Bruk said.

Contact the author at r.nielsen@imedia.ru

Related articles:

- Coming Laws May Affect Real Estate Market
- Physical Threats Mark Construction Fight
- Middle-Class Russians Settle in Spain

Original url:
https://www.themoscowtimes.com/2013/01/28/real-estate-tax-changes-in-the-works-a21000